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First Steps in Building an Intellectual Property Program and Portfolio

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Sullivan: First Steps in Building an Intellectual Property Program and Port
**FIRST STEPS IN BUILDING AN INTELLECTUAL
PROPERTY PROGRAM AND PORTFOLIO**

*Jeffrey D. Sullivan**

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I. INTRODUCTION

Multimillion-dollar verdicts and settlements are increasingly common in patent and trade secret litigation, and have drawn the attention of top technical and legal management, especially in an economy in which every proprietary or profitable edge is necessary for technology companies to survive and thrive. Although large awards for patent infringement and misappropriation of trade secrets may come about as a result of litigation, winning or settling lawsuits is not the only way to extract value from a company's intellectual property. Consensual licensing of core technologies has also proven to be an increasingly lucrative business proposition. Acacia Research, a company that has been set up to acquire patents and collect licensing fees, reportedly earns close to \$25 million per year in royalties from its television content-blocking V-Chip patent portfolio alone.¹

This striking example of substantial revenue generation from intellectual property is just one of many that can be drawn from the United States, with its huge high-technology product market and litigation-friendly legal system. But intellectual property assertion and "monetization" play an increasingly important role for businesses on a worldwide basis, as capitalizing on intellectual property assets, whether acquired or developed in-house, has proven to be an effective method for creating revenue either through litigation-based judgments, settlements, or voluntary licensing agreements.

The challenge for an organization becomes, therefore, to build an effective intellectual property (IP) protection program so that the organization can capture and aggressively use its intellectual property assets to create and increase value for the entire organization. This Article will discuss a strategy for developing an IP protection program by providing ideas for laying a foundation of the program, for managing IP protection efforts, and for maximizing the wealth-generating potential of an organization's technology investments and intellectual property development through the aggressive monetization of IP assets.

II. LAYING THE FOUNDATION

Before an organization can capitalize on its IP, or even develop and manage its IP assets, it must put in place a proper foundation to enable the effective development of the organization's innovative technology. Internal policies must be put in place in order to capture the IP generated by the company's technical investment and advances. For instance, new employees should routinely be required to sign employment agreements making it clear that they are hired to

¹ Teresa Riordan, *Internet Patent Claims Stir Concern*, N.Y. TIMES, Aug. 16, 2004, at C6.

invent, and that the company owns any IP that the employee develops during his tenure. While such policies will suffice to secure the company's rights in some jurisdictions, such as the United States, it may not effect a surrender of all the employee's rights in other jurisdictions. The employment agreement and company policies should also outline an inventor's obligations to assign any invention to the company, as well as the employee's confidentiality obligations and use of company equipment for the sole purpose of company business. The company's policies should be available in written form and provided to new employees, and periodically distributed to existing employees.

In addition to these internal policies, an organization needs to have external policies as well. An organization should have a publication policy that prohibits sensitive information, such as trade secrets or patentable technology, from leaving the organization's confidential environment without proper protection. Even if joint development agreements, consulting contracts, or supplier policies are in place, the company's legal department or outside counsel should be intimately involved before proprietary technical developments or information are shared with non-employees. Such a policy should also apply to innovative information coming into an organization from outside sources.

III. IP PRESERVATION PRACTICES

Once the organization has put its IP program foundation in place, it must establish preservation practices to assure that potentially valuable IP embodied in new technological developments is consistently captured and optimally protected. Implementing IP preservation practices may be as simple as providing notebooks for recording daily activity or invention disclosure forms that assist an inventor in memorializing his innovative developments. Although relatively simple to implement, such mechanisms are critical for establishing priority rights in each invention. These priority rights become absolutely crucial in securing patents in rapidly-developing technologies, since competitors are attempting to patent the same technology. Even if the organization chooses to keep the innovation as a trade secret, such records can be used to prove that the company possessed the idea prior to the time that similar ideas were disclosed to the company by third parties.

These IP preservation practices can be outlined in a brochure or IP policy manual and made available to employees for review. This manual, along with training, should be presented to new employees as they join the organization, as well as on a regular basis to existing employees. Perhaps the most effective method of ensuring employee participation in the IP program, however, is the use of monetary and recognition awards. These can serve as an effective catalyst for employee involvement. An IP protection program may, conversely, be of limited

value or effect if it is not prioritized by the company or joined in by the employees. Giving employees a stake in the program may accomplish both goals, and make for a more effective and ultimately lucrative program.

Because “mere ideas” are not patentable in themselves,² the final stage of the IP preservation practice should include some form of systematic invention review in order to ensure that an idea has been fully fleshed out and reduced to practice. This requirement is satisfied only if nothing more than ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation.³ The invention review process should therefore involve patent counsel, inventors, and management so as to ensure that the IP preservation practice captures an invention’s complete embodiment, complies with patent laws, and is in line with the organization’s business objectives.

IV. PROTECTING IDENTIFIED IP ASSETS

Once an organization has effectively identified its most innovative technology, what comes next? There are a number of vehicles for intellectual property protection available, and whether an organization chooses to keep an invention as a trade secret, file a patent application, or seek no protection at all for a particular piece of technology, depends on the particular subject matter of the technology, the organization’s business goals, and the competitive environment.

A. TRADE SECRETS

Trade secret law protects technological and business secrets from misappropriation by others. The subject matter that potentially qualifies for trade secret protection is broader than that for patents, and includes marketing data, sales information, customer lists, and innovative technology.⁴ Unlike patented subject matter, trade secrets may be protected for an indefinite period, so long as the information remains valuable and secret.⁵ Trade secret law does not, however, provide protection against persons who independently develop or reverse engineer the subject matter of the trade secret.⁶

In choosing to pursue a trade secret strategy, the organization must consider whether the subject matter can be detected, or independently developed, by

² See 35 U.S.C. § 101 (2010).

³ See *id.* § 112.

⁴ 2 RUDOLF CALLMAN, CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES §§ 14, 15 (4th ed. 1981).

⁵ *Id.* §§ 14–34.

⁶ *Id.* §§ 14–23.

competitors. If so, then trade secret protection may provide little, if any, protection. And if the subject matter can be independently developed and patented by another, the organization might even be prevented from making, using, or selling the subject matter that it had independently developed and kept internally as a secret.

B. PROVISIONAL PATENT APPLICATION

On the other hand, the organization must consider the product life cycle of a given invention. A company generally cannot preclude another from making, using, or selling its patented invention until a patent issues, which in some cases may take three or more years from filing to issuance. If an invention's product life cycle through the development-growth-maturity-decline stages is largely completed before the patent issues, then wading through the effort and expense needed to secure patent rights may prove to provide only an illusory benefit.

Filing a provisional patent application may serve to preserve patent rights for a period of one year from the filing of the provisional application until the filing of a non-provisional, or full, patent application.⁷ Filing a provisional application may be an effective strategy if the organization is not sure of the invention's viability in the market place, or if more time is needed to secure funding for manufacturing or identifying potential licensing schemes. A provisional application may then be abandoned with minimal sunk costs, if necessary, if the invention is not shown to be useful to the company. Alternatively, if the invention is shown to be useful, it can be converted to a non-provisional patent application within one year from its filing.⁸

Although the filing and preparation fees for a provisional patent application are less than the fees for a non-provisional application, and the drafting of a provisional application can be relatively simple, the provisional application must still adequately describe the invention. If the invention is not sufficiently described in the provisional filing, or if new material needs to be added to the provisional specification in order to facilitate enablement, then the applicant may lose the benefit of the priority date, i.e., the early filing date, of the provisional application.

C. NON-PROVISIONAL PATENT APPLICATION

Filing a non-provisional patent application may prove appropriate if a given technology has been developed enough to warrant patent protection to exclude

⁷ See 35 U.S.C. § 111(b) (2010).

⁸ See *id.*

others, or to generate licensing revenue. There should be a clear strategy for drafting the patent claims (which define the scope of proprietary protection) so that the proper scope of the invention is covered. Moreover, unlike a provisional application, a non-provisional application is subject to examination. The organization should be prepared to allocate sufficient resources for the preparation and prosecution of the non-provisional patent application. Once filed, the application may still be abandoned, but considerably more money will have been invested than if a provisional application had been filed.

D. SEEKING NO IP PROTECTION

The final strategy option is the decision not to secure IP protection. A decision not to seek IP protection for an innovative idea dedicates the idea to the public. This strategy may be appropriate if patent protection is statutorily unavailable because, e.g., the relevant technology does not involve a process, machine, manufacture, or composition of matter. Trade secret protection, likewise, may prove inappropriate if the subject matter is not a secret. Finally, neither trade secret nor patent protection may be appropriate if the subject matter is not relevant or helpful to furthering the organization's business goals, or has limited ability to create value for the organization.

V. CONCLUSION

With a well thought-out strategy for capturing and protecting key technology intellectual property, a company can begin to see the benefits of such a policy accrue as intellectual property assets build up in a portfolio that can provide competitive advantage, allow for ongoing revenue through licensing programs or, if necessary, litigation, and can in many instances make the company a more attractive target for future merger or acquisition deals.